

**ONAWAY AREA AMBULANCE SERVICE
ONAWAY, MICHIGAN**

Financial Statements
For the Year Ended
March 31, 2008

Prepared By:

Richard E. Mahlmeister, C.P.A., P.C.
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Mackinaw City, MI 49701

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended.

Unit Name	Onaway Area Ambulance Service	County	PRESQUE ISLE	Type AUTHORITY	MuniCode	71-7-505
Opinion Date-Use Calendar	July 11, 2008	Audit Submitted-Use Calendar	July 28, 2008	Fiscal Year-Use Drop List	2008	

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 336,372.00
General Fund Expenditure:	\$ 410,245.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 318,013.00
Governmental Activities Long-Term Debt (see instructions):	

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Richard	Last Name	Mahlmeister	Ten Digit License Number	1101017351	
CPA Street Address	P.O. Box 996	City	Mackinaw City	State MI	Zip Code 49701	Telephone +1 (231) 436-5223
CPA Firm Name	Richard E. Mahlmeister, CPA	Unit's Street Address	P.O. Box 454	City Onaway	LU Zip 49765	

ONAWAY AREA AMBULANCE SERVICE

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RICHARD E. MAHLMEISTER



CERTIFIED PUBLIC ACCOUNTANT, P.C.

Member:

American Institute of Certified Public Accountants

Michigan Association of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

July 11, 2008

Members of the Board
Onaway Area Ambulance Service
Onaway, Michigan

I have audited the accompanying financial statements of the governmental activities and the major fund of the ***Onaway Area Ambulance Service, Onaway, Michigan***, as of and for the year ended March 31, 2008, which collectively comprise the ***Onaway Area Ambulance Service's*** basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ***Onaway Area Ambulance Service's*** management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund of the ***Onaway Area Ambulance Service, Onaway, Michigan***, as of March 31, 2008, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 4 and 18, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Richard E. Mahlmeister, C.P.A.

Richard E. Mahlmeister, CPA, PC

ONAWAY AREA AMBULANCE SERVICE

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Onaway Area Ambulance Service's (The Service) annual financial report presents our discussion and analysis of The Service's financial performance during the fiscal year ended March 31, 2008. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of The Service as a whole and present a longer-term view of The Service's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. The fund financial statements also report the Service's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Assets at March 31, 2008 totaled \$585,730. Of the total, \$255,573 represents capital assets, net of depreciation.

Overall revenues were \$336,372 (\$262,734 from charges for services, \$612 from operating grants and contributions and \$73,026 from general revenues). Overall expenses in the statement of activities were \$332,273.

The Service has no debt and capital asset activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of The Service.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year March 31, 2008.

The remaining statements are fund financial statements, which focus on individual parts of The Service in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about The Service as a whole, using accounting methods used by private companies.

ONAWAY AREA AMBULANCE SERVICE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The statement of net assets includes all of The Service's assets and liabilities. The statement of activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between The Service's assets and liabilities. This is one method to measure our financial health or position. Over time, increases or decreases in The Service's net assets are an indicator of whether financial position is improving or deteriorating.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about The Service's funds. Funds are used to account for specific activities or funding sources. Funds are established to account for funding of specific financial resources and to show proper expenditure of those resources.

The Service has only the following type of fund:

Governmental Fund

The Service's activities are included in one fund, classified in the governmental fund category. This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between The Service's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

FUND ANALYSIS OF THE SERVICE AS A WHOLE

The comparison of net assets of governmental activities from year to year serves to measure a government's financial position.

	GOVERNMENTAL ACTIVITIES	
	2008	2007
Assets:		
Current assets	\$330,157	\$401,866
Capital assets (net)	255,573	174,984
Total assets	<u>585,730</u>	<u>576,850</u>
Liabilities:		
Current liabilities	12,144	9,980
Noncurrent liabilities	3,837	1,220
Total Liabilities	<u>15,981</u>	<u>11,200</u>
Net assets:		
Invested in capital assets	255,573	174,984
Unrestricted	314,176	390,666
Total Net Assets	<u>\$569,749</u>	<u>\$565,650</u>

ONAWAY AREA AMBULANCE SERVICE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FUND ANALYSIS OF THE SERVICE AS A WHOLE (CONTINUED)

The following table summarizes the results of the changes in net assets of the Service:

	GOVERNMENTAL ACTIVITIES	
	2008	2007
REVENUES:		
Program revenues:		
Charges for services	\$262,734	\$265,743
Operating grants and contributions	612	933
Capital grants and contributions	-	8,655
General revenues:		
Contributions from local units	59,846	78,946
Interest income	13,180	9,117
Total Revenues	<u>336,372</u>	<u>363,394</u>
EXPENSES:		
Health and welfare	332,273	333,116
Total Expenses	<u>332,273</u>	<u>333,116</u>
NET ASSETS:		
Increase in net assets	4,099	30,278
Beginning net assets	565,650	535,372
Ending net assets	<u>\$569,749</u>	<u>\$565,650</u>

Net assets increased by \$4,099. Charges for service have remained stable. All other revenues have remained stable. Contributions from the participating units have also decreased due to a decision by the contributing units to require smaller contributions to fund operations. Interest income is up due to more of our cash resources being invested in bank certificates of deposits. Overall expenses have remained relatively stable.

FINANCIAL ANALYSIS OF THE SERVICE'S FUND

The governmental activities paid \$306,918 for ambulance operations.

The Service's governmental activities made investments in capital assets of \$103,327.

CAPITAL ASSET AND DEBT ADMINISTRATION

At March 31, 2008, the Service had \$255,573 (net of depreciation) invested in a building, ambulances, medical and office equipment, with no related debt. A new ambulance was acquired during the year in the amount of \$103,327.

BUDGETARY HIGHLIGHTS

There are no differences between the original and actual budget.

ONAWAY AREA AMBULANCE SERVICE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Service's revenue is dependent on continuing contributions from the participating government units, charges for services provided, and contributions from the public.

CONTACTING MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Onaway Area Ambulance Service's finances and to demonstrate The Service's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact the Chairman or Vice-Chairman at 989.733.4166.



David Webster
Chairman



Bernard Schmeltzer
Vice-Chairman

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ONAWAY AREA AMBULANCE SERVICE
STATEMENT OF NET ASSETS
MARCH 31, 2008

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
Cash and cash equivalents	\$60,063
Investments	190,893
Accounts receivable (net of allowance for doubtful accounts of \$47,525)	79,201
Capital assets (net of accumulated depreciation)	<u>255,573</u>
<u>TOTAL ASSETS</u>	<u>585,730</u>
 <u>LIABILITIES</u>	
Accounts payable	3,537
Accrued wages and related liabilities	8,607
Compensated absences - noncurrent	<u>3,837</u>
<u>TOTAL LIABILITIES</u>	<u>15,981</u>
 <u>NET ASSETS</u>	
Invested in capital assets	255,573
Unrestricted	<u>314,176</u>
<u>TOTAL NET ASSETS</u>	<u>\$569,749</u>

The accompanying notes are an integral part of these financial statements.

**ONAWAY AREA AMBULANCE SERVICE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities			
Health and welfare	\$332,273	\$262,734	\$612
Total governmental activities	332,273	262,734	612
General Revenues			
Contributions from local units			
Unrestricted interest income			
Total general revenues			
Change in net assets			
Net assets, beginning of year			
Net assets, end of year			

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets	
Capital Grants and Contributions	TOTAL
\$ -	(\$68,927)
-	(68,927)
	59,846
	13,180
	73,026
	4,099
	565,650
	\$569,749

FUND FINANCIAL STATEMENTS

**ONAWAY AREA AMBULANCE SERVICE
BALANCE SHEET - GOVERNMENTAL FUND
MARCH 31, 2008**

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
CURRENT ASSETS:	
Cash and cash equivalents	\$60,063
Investments	190,893
Accounts receivable (net of allowance for doubtful accounts of \$47,525)	79,201
	<hr/>
<u>TOTAL ASSETS</u>	<u>\$330,157</u>
 <u>LIABILITIES AND FUND EQUITY</u>	
LIABILITIES:	
Accounts payable	\$3,537
Accrued wages and related liabilities	8,607
	<hr/>
<u>TOTAL LIABILITIES</u>	<u>12,144</u>
 <u>FUND EQUITY</u>	
Fund balance:	
Reserved for ambulance replacement	28,129
Reserved for equipment replacement	10,418
Reserved for building	6,251
Unreserved. undesignated	273,215
	<hr/>
<u>TOTAL FUND EQUITY</u>	<u>318,013</u>
 <u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u><u>\$330,157</u></u>

The accompanying notes are an integral part of these financial statements.

**ONAWAY AREA AMBULANCE SERVICE
BALANCE SHEET - GOVERNMENTAL FUND
MARCH 31, 2008**

Reconciliation of fund balance on the balance sheet for the governmental activity
to the statement of net assets

FUND BALANCE - TOTAL GOVERNMENTAL FUND	\$318,013
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the funds.

Add: capital assets	486,192
Subtract: accumulated depreciation	(230,619)

Certain liabilities are not due and payable in the current period, and therefore
are not reported in the funds.

Subtract: compensated absences	<u>(3,837)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$569,749</u></u>
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The accompanying notes are an integral part of these financial statements.

ONAWAY AREA AMBULANCE SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED MARCH 31, 2008

REVENUES	
Contributions from local units	\$59,846
Charges for services - sales	225,314
Charges for services - subscriptions	37,420
Interest	13,180
Contributions and donations from private sources	612
	<hr/>
TOTAL REVENUES	336,372
	<hr/>
EXPENDITURES	
Current:	
Health and welfare:	
Salaries, wages and benefits	224,345
Billings and collections	7,556
Communications	3,401
Transportation	13,796
Education and training	170
Promotion	1,797
Professional services	2,844
Repairs and maintenance	15,999
Supplies - medical	21,192
Supplies - office	1,727
Utilities	5,659
Insurance	6,805
Other	1,627
Capital Outlay	103,327
	<hr/>
TOTAL EXPENDITURES	410,245
	<hr/>
REVENUES OVER EXPENDITURES	(73,873)
	<hr/>
FUND BALANCE, BEGINNING OF YEAR	391,886
	<hr/>
FUND BALANCE, END OF YEAR	\$318,013
	<hr/>

The accompanying notes are an integral part of these financial statements.

ONAWAY AREA AMBULANCE SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED MARCH 31, 2008

Reconciliation of statement of revenues, expenditures and changes in fund balance of
the governmental fund to the statement of activities

CHANGE IN FUND BALANCE - GOVERNMENTAL FUND **(\$73,873)**

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, those costs
are allocated over their useful lives as annual depreciation expense in the statement
of activities.

Add: capital outlay capitalized during the current year	103,327
Subtract: depreciation expense	(22,738)

Repayment of bond and note principal is an expenditure in the governmental fund,
however, it reduces long-term liabilities in the statement of net assets.

Some expenses reported in the statement of activities do no require the use of current
financial resources and therefore are not reported as expenditures in governmental funds.

Subtract: increase in the accrual of compensated absences.	<u>(2,617)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$4,099</u></u>
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The accompanying notes are an integral part of these financial statements.

ONAWAY AREA AMBULANCE SERVICE

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Onaway Area Ambulance Service (The Service) is a joint venture organized to provide ambulance service throughout the Onaway, Michigan area, pursuant to Michigan P.A. 7, Section 10, Paragraph (2), 1967, serving the City of Onaway, the Townships of Allis, North Allis, Bearinger, Ocqueoc and Case, in Presque Isle County, and the Townships of Forest and Waverly in Cheboygan County.

The accounting policies of the Onaway Area Ambulance Service conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the most significant policies used by The Service.

THE REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Onaway Area Ambulance Service and any component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based on the foregoing criteria, the Onaway Area Ambulance Service has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

ECONOMIC DEPENDENCY

The Service is economically dependent on annual contributions from the participating local units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on The Service as a whole. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The Service's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

(Continued)

ONAWAY AREA AMBULANCE SERVICE

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (Continued)

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, intergovernmental payments and other items are not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

FUND TYPES AND MAJOR FUND

Fund financial statements are provided for The Service's government fund.

The Service reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Onaway Area Ambulance Service. It is used to account for all financial resources.

ONAWAY AREA AMBULANCE SERVICE

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

INVESTMENTS

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

RECEIVABLES

Receivables are reported at gross value less an allowance for uncollectible accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off.

CAPITAL ASSETS

Capital assets include property, plant and equipment. Capital assets are defined by the government as assets with an initial individual cost of \$2,500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	10 – 30 years
Equipment and vehicles	5 – 10 years

COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

It is the Service's policy to permit full-time employees to earn personal time off (PTO) that can be accumulated, subject to certain limitations. Paid time off is accrued when incurred in the government-wide statements. A liability for these amounts is reported in the government funds only if they have matured, for example, as a result of employee resignations or retirements. There are no post-employment benefits offered by The Service.

ONAWAY AREA AMBULANCE SERVICE

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statement, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures. The Service has no long-term obligations as of March 31, 2008.

FUND EQUITY

Reserved fund balances for the governmental fund indicates that portion of fund equity, which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that portion of fund equity for which The Service has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at the end of the year. The Service follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Secretary submits to the Onaway Area Ambulance Service Board a proposed operating budget for the fiscal year commencing on April 1.
2. Public hearings are conducted to obtain taxpayer comments and the individual participating governmental units review and approve the budget.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. Budgeted amounts are as originally adopted, or as amended by the Board.

ONAWAY AREA AMBULANCE SERVICE

NOTES TO FINANCIAL STATEMENTS

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
(CONTINUED)**

Excess of Expenditures over Appropriations in Budgetary Funds

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, The Service's actual expenditures and budgeted expenditures for the government fund is shown on a functional basis. The approved budgets of The Service were adopted to the activity level. The Service incurred expenditures, which exceeded the amount appropriated as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Health and welfare	\$306,302	\$306,918	\$ 12,839
Capital outlay	\$ -	\$103,327	\$103,327

NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS

The caption on the statement of net assets relating to cash and cash equivalents and investments represent deposits in varying amounts as follows:

Cash and cash equivalents	\$ 60,063
Investments (certificates of deposit)	190,893
	<u>\$250,956</u>

Custodial Credit Risk – Deposits

At year-end the carrying amounts of cash, cash equivalents and investments were classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$157,165	\$164,548
Uninsured – uncollateralized	93,791	93,590
	<u>\$250,956</u>	<u>\$258,138</u>

The Service believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, The Service evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated level are used as depositories. The Service may experience significant fluctuations in deposit balances through the year.

(Continued)

ONAWAY AREA AMBULANCE SERVICE

NOTES TO FINANCIAL STATEMENTS

NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NOTE 4: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year is as follows:

	Balance April 1, 2007	Additions	Deletions	Balance March 31, 2008
Not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Being Depreciated:				
Building and Improvements	107,295	-	-	107,295
Equipment	93,236	-	-	93,236
Vehicles	172,334	103,327	-	275,661
Subtotal	382,865	103,327	-	486,192
Less accumulated depreciation	(207,881)	(22,738)	-	(230,619)
Total	\$174,984	\$80,589	\$ -	\$255,573

Depreciation was charged to the functions as follows:

Health and welfare	<u>\$22,738</u>
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ONAWAY AREA AMBULANCE SERVICE

NOTES TO FINANCIAL STATEMENTS

NOTE 5: AMBULANCE SERVICE

The eight governmental units described in Note 1 established The Service. Each governmental unit provides one representative to the board. The expenses involved in overall operations of The Service are split equally between the eight units, and the expenses associated with ambulance runs within a governmental jurisdiction are absorbed by that governmental unit.

NOTE 6: RISK MANAGEMENT

The Onaway Area Ambulance Service participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of The Service. The Service pays an annual premium to the Michigan Township Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for property of \$258,000, general liability of \$6,000,000, wrongful acts of \$5,000,000, automobile of \$4,000,000, crime of \$10,000, inland marine liability of \$40,000, EDP of \$2,500 and bonding for public official's errors and omissions. Additionally, the Onaway Area Ambulance Service has purchased commercial insurance for workman's compensation benefits. Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

**ONAWAY AREA AMBULANCE SERVICE
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES				
Contributions from local units	\$59,802	\$59,802	\$59,846	\$44
Charges for services - sales	210,000	210,000	225,314	15,314
Charges for services - subscriptions	32,000	32,000	37,420	5,420
Interest	2,000	2,000	13,180	11,180
Contributions and donations from private sources	-	-	612	612
TOTAL REVENUES	303,802	303,802	336,372	32,570
EXPENDITURES				
Current:				
Health and welfare	303,802	303,802	306,918	(3,116)
Capital Outlay	-	-	103,327	(103,327)
TOTAL EXPENDITURES	303,802	303,802	410,245	(106,443)
REVENUES OVER EXPENDITURES	-	-	(73,873)	(73,873)
FUND BALANCE, BEGINNING OF YEAR	391,886	391,886	391,886	-
FUND BALANCE, END OF YEAR	\$391,886	\$391,886	\$318,013	(\$73,873)

July 11, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Members of the Board
Onaway Area Ambulance Service
Onaway, Michigan

I have audited the financial statements of the governmental activities and the major fund of The Onaway Area Ambulance Service, and have issued my report thereon dated July 11, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated May 12, 2008, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 29, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Onaway Area Ambulance Service are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

1) Determining depreciation expense; 2) Determining the estimated allowance for uncollectible accounts. I evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated July 11, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

Auditing standards require me to report to you significant audit findings or issues. Following are the significant findings I noted during my audit:

- There is a lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel. This condition is generally inherent in organizations the size of the Onaway Area Ambulance Service, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.
- Procedures do not exist to record the accounts receivable balance in the financial statements. Additionally, end of the year cut-off procedures and procedures to determine the allowance for uncollectible accounts do not appear effective. Accounts receivable should be recorded in the monthly financials statements. Also, the Board should determine the amount of the estimated allowance for uncollectable receivables and also record in the financial statements. Additionally, care should be taken to determine if the end of the year aging includes all payments through the end of each monthly reporting period and are recorded in the correct period.
- The Onaway Area Ambulance Service does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures. However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

Additionally I have presented other matters for your consideration in the same letter dated July 11, 2008.

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to our retention.

Onaway Area Ambulance Service

July 11, 2008

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This information is intended solely for the use of the Board and management of The Onaway Area Ambulance Service and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read "R.E. Mahlmeister". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Richard E. Mahlmeister, C.P.A.

Richard E. Mahlmeister, C.P.A., P.C.

July 11, 2008

**COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL
WEAKNESSES IN INTERNAL CONTROL AND OTHER MATTERS**

Members of the Board
Onaway Area Ambulance Service
Onaway, Michigan

In planning and performing my audit of the financial statements of the ***Onaway Area Ambulance Service*** as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered the Onaway Area Ambulance Service's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Onaway Area Ambulance Service's internal control. My consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, I do not express an opinion on the effectiveness of the Onaway Area Ambulance Service's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies and a deficiency that I consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

I consider the following deficiency to be significant deficiencies in internal control:

Lack of Segregation of Duties

Lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel.

This condition is generally inherent in organizations the size of the Onaway Area Ambulance Service, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

I believe the following deficiencies constitute material weaknesses:

Accounts Receivable

Procedures do not exist to record the accounts receivable balance in the financial statements. Additionally, end of the year cut-off procedures and procedures to determine the allowance for uncollectible accounts do not appear effective.

Accounts receivable should be recorded in the monthly financials statements. Also, the Board should determine the amount of the estimated allowance for uncollectable receivables and also record in the financial statements. Additionally, care should be taken to determine if the end of the year aging includes all payments through the end of each monthly reporting period and are recorded in the correct period.

Financial Statement Preparation

The Onaway Area Ambulance Service does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures.

However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

In addition, I noted other matters for your consideration:

Appropriations Act

The appropriations act (the budget) should be a part of the body of the minutes, indicating budgeted beginning fund balance, revenues by source, total expenditures, and the budgeted ending fund balance.

Budgeting

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2008 the Onaway Area Ambulance Service incurred expenditures which exceeded the amount appropriated for capital outlay and health and welfare expenditures, as shown in the body of the financial statements.

I suggest that the Board on a periodic basis, review appropriations as compared to actual expenditures and amend the budget as necessary, prior to incurring the expenditures to avoid incurring expenditures in excess of appropriations.

Budget Amendments

I noted that though the Board approved large capital outlay expenditures, the budget was not amended for these expenditures. When making these expenditures, the budget needs to be formally amended and documented in the minutes and then reflected in the accounting records.

Gifts to Employees

I noted that gift certificates were purchased for the employees. According to State Statute "Presents to officials and employees or retirement recognition events." Are not considered lawful expenditures.

I suggest the Board review state statutes and/or consult with your attorney before any expenditures outside normal operational expenditures are made.

This communication is intended solely for the information and use of management and the Members of the Board of ***Onaway Area Ambulance Service***, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the opportunity to serve ***Onaway Area Ambulance Service***. Best wishes in the next year.

Sincerely,



Richard E. Mahlmeister, C.P.A.
Richard E. Mahlmeister, C.P.A., P.C.